

Opportunities and Risks

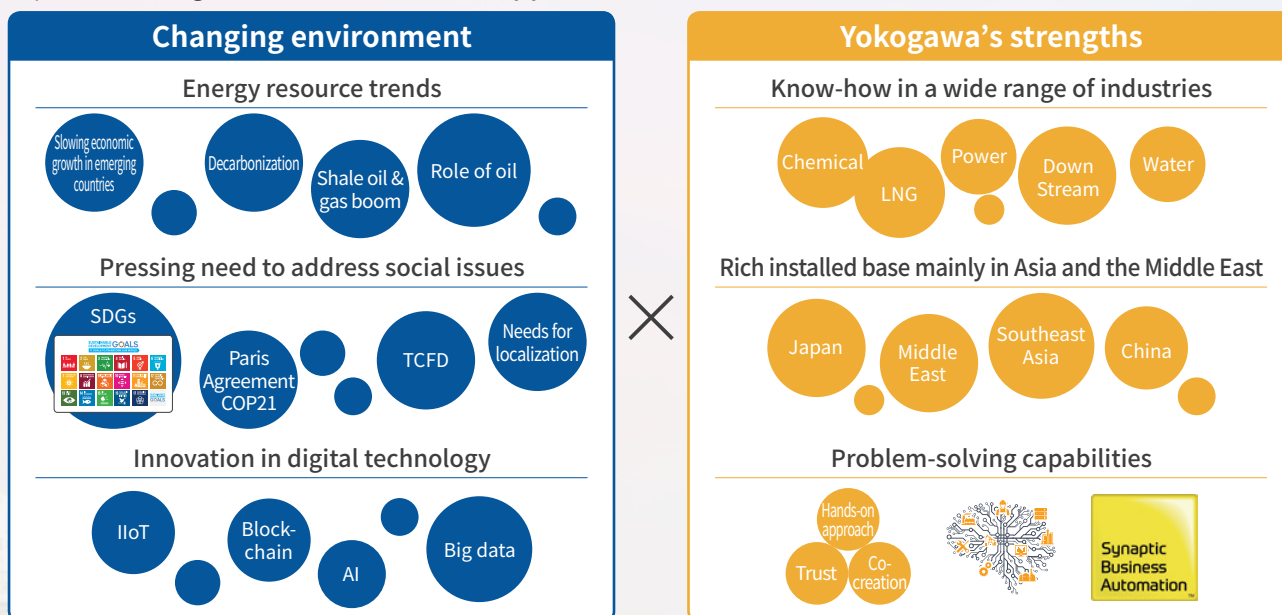
Yokogawa is taking on the challenge of transforming itself with the goal of establishing businesses dedicated to realizing a sustainable society based on the TF2020 mid-term business plan.

Operating in such an increasingly complex business environment, Yokogawa understands the importance of identifying and accurately evaluating the opportunities and risks that affect sustainability and growth.

Opportunities

The business environment surrounding Yokogawa is undergoing dramatic change as a result of innovation in digital technology and a growing need for solutions to social problems such as environmental issues and demographic changes, along with the changing positioning of oil among energy resources.

Yokogawa regards these changes in the business environment as opportunities for transformation and growth that allow the Company to continuously enhance profitability. The Company is taking steps toward the next transformation by creating opportunities for growth and establishing the foundation for growth mainly in Asia, including Japan, a region with large installed base, while taking advantage its strong and diverse customer base and problem-solving capabilities Yokogawa has cultivated over many years.



Risks

Business environment

- Impact of the changing external environment
- Changing prices of owned assets

Business activities

- Industrial automation and control business
 - ▶ Market trends in product and service fields with growth potential
 - ▶ R&D investments not yielding innovative technologies or anticipated results
 - ▶ Development of pioneering technologies by competitors
 - ▶ Need to meet market demand for cost reduction
 - ▶ Delay in parts procurement and production, etc.

- Talent recruitment and training
- Product quality
- Incompatibility of research investment with future market needs and targets

Other

- Infringement of intellectual property rights
- Leak and misuse of information due to unforeseeable circumstances
- Production shutdown of key products due to natural disasters and other sources of social disruption
- Changes in market environment resulting from the impact of SDGs

See p. 74 for details

Mid-term Business Plan

Transformation 2020

Create growth opportunities and consolidate the foundation for growth

- **Transformation of existing businesses**

- ▶ Expansion of OPEX business with a focus on installed base
- ▶ Further strengthening target industries (chemical, renewable energy)

- **Creation of new businesses and transformation of business model**

- ▶ Creation of life innovation business
- ▶ Creation of recurring revenue business model

- **Improvement of productivity through Group-wide optimization**

- ▶ Continuously enhance cost competitiveness
- ▶ Optimize organizational structure
- ▶ Develop highly skilled personnel

- **Digital transformation**

- ▶ Creating digital businesses
- ▶ Transforming our business processes
- ▶ Strengthening our IT infrastructure